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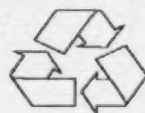
Matching Ambitions and Realities: What Future for Russia?

Highlights from the conference
6-7 May 2010, Ottawa





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Matching Ambitions and Realities: What Future for Russia?

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Matching Ambitions and Realities:

Table of Contents

The conference and its objectives	1
Executive summary	2
What Future for Russia?	3
Highlights from the experts' presentations	5
Power and Politics: What is Russia?	7
Power relations and decision-making in Moscow	7
Russia's views towards the West	9
How Westerners (and others) view Russia, and why it matters	10
Discussion	12
Double Perspective	14
Is Russia bound to remain an authoritarian country?	14
Discussion	16
Russia in the World	19
Bitter fruits of history: Russia and the United States	19
Fearful necessity: Russia's relations with China	20
Energy as currency: the Kremlin's approach to Europe and the European Union	22
Discussion	23
Opportunities and Challenges of the Russian Economy	25
Diversification efforts	25
Relationship between the private sector and the political class	25
Foreign direct investment into Russia	27
Discussion	27
Implications for Canada of Russia's Evolving Place in the World	29

Matching Ambitions and Realities:

Raw Force: Military and Security Considerations	30
Current and prospective state of the Russian armed forces	30
WMD programs: Proliferation risks and Russia's plans	32
The role of the security services	34
Discussion	35
Looking Inwards: Domestic Issues and Society	36
Moscow's relations with local power centres	36
Contained or brewing? Chechnya, Dagestan, Ingushetia	37
The security consequences of democratic decline	38
Discussion	39
Uncertain Neighbourhood: Regional Issues	40
The Moscow-Kyiv dynamic	40
Unruly neighbourhood: the South Caucasus	41
Moscow's ambitions in Central Asia and role in Afghanistan	42
Discussion	43
Security Stakes in the Arctic	44
The economic, political, and strategic stakes of an accessible Arctic, and Russia's ambitions in the region	44
Discussion	48
Annexes	49
Annex A – Conference agenda	51
Annex B – Academic Outreach at CSIS	54

The conference and its objectives

On 6-7 May 2010 and in partnership with Foreign Affairs and International Trade Canada and the Privy Council Office, the Canadian Security Intelligence Service (CSIS) hosted a two-day conference on Russia. The event, conducted under Chatham House rules, pursued three objectives: to foster the analytic community of the Government of Canada, to improve the participants' understanding of the country's domestic challenges and its foreign relations, to explore its future prospects, and discuss related implications for Canada.

The expert panels were organised around several thematic modules which examined:

- the nature and functioning of the Russian political system;
- Moscow's relations with influential international actors;
- economic challenges and the dynamic between the political and economic classes;
- the role and future of the country's armed forces and security services;
- social and domestic issues affecting Russia's stability;
- the country's influence in, and expectations of, its neighbourhood; and
- the security stakes of an accessible Arctic.

The conference welcomed a diversity of participants and relied on leading experts from Canada, Europe, Russia and the United States. It addressed a selection of key themes and set a background for a continuing dialogue on salient ones. This conference report provides a summary of the main ideas presented by experts and discussed with participants during the course of the event. It should be noted that the views, ideas and concepts reflected in this report are not that of CSIS and are offered as a means of supporting an ongoing discussion of Russia's political, military, economic and social realities.

Executive summary

There exist many Russias, images of which are shaped as much by perceptions as by misperceptions and what seem at times to be flagrant contradictions. Descriptions of the country vary widely: seen by some as a polity suffering the pains of political transition, it is also viewed as a petro-state, a neo-imperial power whose former glory has made nostalgic, and as "Russia Inc.", where all can be bought and sold. The multiple definitions of Russia are all in their own way rooted in current political, economic and social realities, as well as in its geography and its self-image in the international system. All these factors together determine whether Russia's ambitions will become realities, or if the gap between them may simply be too wide to bridge.

President Dmitry Medvedev has repeatedly indicated that his country needs modernisation. But one wonders whether he has the necessary power to make a lasting difference in this sense. Modernisation is improbable in the current system, in which class interests are too rigid and corruption reigns. Genuine modernisation will require a seismic shift in Russian politics, an unlikely development since the influential classes prefer the status quo. Mr Medvedev might well be viewed as the younger, future face of Russia, but he is in many respects a virtual president, unable to implement modernisation programs because his prime minister is more powerful than him.

Observers at times assume that Russian democracy will come to resemble western-style democracy. While the West can assist Russia's transition, the very ideas of democracy, liberty, justice and political participation often carry differing meanings for both sides and hinder mutual understanding. It also remains to be seen whether a genuinely democratic Russia would be more open to collaboration with North America and Europe.

Diversifying the national economy has been advertised as a long-term objective. However, oil and gas will provide Russia's most meaningful comparative advantage far into the future; it is not realistic to imagine the country's hydrocarbon sector becoming only one amongst many. Moscow hopes to play the "Chinese energy card" when dealing with the EU: if Europeans do not meet Russia's conditions, it might turn eastwards, where a growing market lies and is open for business. This is mere rhetoric because there is no pipeline infrastructure to ship the required oil to China and natural gas is not prominent in China's supply mix. Russia and the EU therefore rely as much on each other for energy security.

Moscow's vision of its future as a great, aspiring power with "rights and consequence over its subordinate neighbours" is not shared by the surrounding political actors. Improvements have occurred in its relations with the US thanks to the "reset" policy and its cornerstone initiative, the new Strategic Arms Reduction Treaty (START). But the treaty's future is uncertain because it has not been ratified by the US senate and may run into verification challenges. Relations with Beijing are often seen as a way to sustain Russia's status as a global power. In reality the relationship between the two countries is limited to a few common interests. In the end, Moscow remains overwhelmingly oriented towards western culture, politics and world-views.

When Mr Putin assumed the Russian presidency in the late 1990s, he promised significant improvements to the state of the Russian armed forces. Little accomplishments have been made despite words meant to create the illusion of a military renaissance. Russia maintains a nuclear strategic deterrence capability, and a quantitatively impressive conventional arsenal. However, despite reform efforts, Russia lacks modern military capabilities and the quality of its forces leaves room to be desired.

What Future for Russia?

Throughout the conference, alternative futures for Russia were examined and ranged from the status quo being maintained to a country disintegrating into chaos. An informal consensus formed and major political change is not expected in the near term. But if change is to occur in the next few years, what does Russia have to overcome and what might be the indicators to watch for?

Russia would indeed benefit from modernisation, effective governance and some level of realistic economic diversification. Its demographic outlook is bleak: it points to a gradual deterioration of human well-being, a constrained economic potential, and long-term consequences for national security. The financial resources required to improve health care, deliver defence reform and build infrastructure in the Arctic are nothing short of astronomical. It is to be wondered whether the Russian treasury will be in a position to address those issues sustainably.

In the drive to modernise the armed forces, some defence projects will bear fruit whereas many others will be delayed. Achieving the more difficult goals of the reform process is, here again, dependent on the availability of financial resources, the technological capabilities of the defence industry in building modern weapons, and the means to overcome recruitment challenges. Tension will rise if policy-makers

Matching Ambitions and Realities:

are forced to choose between military and economic reform, as priority would undoubtedly be given to the latter.

With regards to foreign policy, western countries will continue to confront the challenge of promoting the evolution of a liberal polity in Russia on the one hand, and dealing with Moscow's apparent imperial behaviour on the other. Russia's future relations with China are not promising considering the eventual widening of power and inequality between the two due to China's continued rise; co-operation will become increasingly difficult.

Russia's oil and gas wealth will continue to offer unrivalled opportunities for economic growth, development and geopolitical influence. What, then, might the future hold for co-operation between Russia and the West? Co-operation is possible but will need to be focussed on issues clearly outside of Europe. A pragmatic approach to managing relations on both sides will be most effective. In the Arctic, military confrontation is improbable, especially considering the long and successful experience of collaboration amongst the Arctic littoral states regarding resource management. Moreover, all Arctic littoral states have committed themselves to solving overlapping claims using the UN Convention on the Law of the Sea.

**Highlights from the
experts' presentations**

Matching Ambitions and Realities:

Highlights from the experts' presentations

Power and Politics: What is Russia?

Power relations and decision-making in Moscow

Part petro-state, part high-tech economy, contemporary Russia is a hybrid system whose foundations rest on tight-knit networks, nepotism and various forms of corruption. To understand power relations and decision-making in Moscow, it is necessary to peel away the layers of complexity in the country's political system and appreciate some of the pervasive characteristics of Russian political culture which have historically given form to it. Just as their counterparts in previous eras, members of Russia's political elite believe that:

- in order to preserve stability and their interests, it is vital to conceal information about how the system works from outsiders;
- institutions are much less important than individuals;
- a small compact kernel around the political leadership expresses subservience to the ruling autocrat; and
- confidentiality is the hallmark of membership in this closed circle of informal ruling clans.

Although in this culture the subservient is sometimes more virtual than real, it is the continued perception of the existence of an autocrat that matters because it consolidates the political realm. Russia's ruling elite enjoys material rewards—in the past at the discretion of the czar, now thanks to what has been described as "Russia Inc." Those who manage the affairs of state very often control and benefit from the state's major economic assets. While the traditional system was corrupt, inefficient and cumbersome, it remains nonetheless effective in maintaining social and political order.

Recognising Russia's geographic vastness, its multi-ethnic population, turbulent history, fear of disorder and suspicion of the unruly, the ruling class has therefore made preservation of stability its primary goal. Contemporary Russians share the view that their country needs a centralised government to maintain order and make their lives more predictable.

If Russia now features some of those characteristics, the country is much more complex and multi-faceted than in the past. Formal institutions in Moscow tell us much less about the relationships. The informal mechanisms are the most important for understanding the system.

Matching Ambitions and Realities:

The Kremlin remains an important seat of power, but the leadership tandem of President Dimtry Medvedev and Prime Minister Vladimir Putin, a power structure unprecedented in Russian history, is where the key decisions are taken. Despite Mr Medvedev's prerogative, Mr Putin appears to be the most important decision-maker. That being said, Mr Putin is not all powerful, a view still widely held amongst foreign commentators.

While Messrs Medvedev and Putin sit at the top of the hierarchy, different clans and groups with overlapping membership are competing against each other; this complexity makes the system challenging and often impenetrable to observers. Besides the president and prime minister, there are three other prominent decision-makers in official positions. Igor Sechin manages both the domestic energy system and energy relations with countries in the Middle East and Latin America; Sergei Ivanov runs the military industrial complex, and Alexei Kudrin, leader of a small group of liberals that Mr Putin has kept on represents the most outward face of a modern Russian economy. These individuals, influential within their respective spheres, compete against one another.

This Medvedev-Putin tandem is seen as more pluralistic than the system was during the previous two terms of Mr Putin (although less pluralistic than the Yeltsine system) thanks to the presence of two centres of power. Mr Putin led the decisions to cut off gas supplies to Ukraine in 2006 and to go to war with Georgia in 2008, while Mr Medvedev appears more active in areas such as the negotiations for Russia's admission in the World Trade Organization. The leadership tandem has been successful in weathering the financial crisis: opposition has been kept in check even as the scope for political debate has widened.

Differentiating what is political and economic from what is national and personal is a daunting task since the chairpersons of the board of most of Russia's strategic companies are either members of the presidential administration or employees of the prime minister: senior officials profit personally from their positions. Many top government officials belong to the so-called St. Petersburg's club—including Messrs Medvedev and Putin—and roughly half of those in senior positions have intelligence backgrounds. This system is rooted in the period following Mr Gorbachev's mandate, when former KGB officials spontaneously privatised state assets. When Mr Putin acceded to power, he modified this legacy set of arrangements to recapture the commanding heights of the economy. Gone were several of the key Yeltsin-era oligarchs, who fled or were imprisoned; in their place is a new group of individuals with links to the security services.

Regarding foreign relations, Russian decision-making is dynamic and at times seemingly contradictory. It has adopted a relatively more conciliatory attitude towards the West; as illustrated by the surprising agreement over the Barents Sea with the Norwegians. On the other hand, Mr Putin has cultivated close relationships with his anti-Western partners, such as Hugo Chavez in Venezuela. All this is happening while Russia is restoring what has been called its privileged sphere of interests in its immediate neighbourhood.

Russia's views towards the West

While a pervading view in the media conveys what appears to be a general Russian dislike of the West, and particularly of Americans, recent survey data¹ suggests that these notions may not be entirely founded. Russian views of the United States have ebbed and flowed since the collapse of the Soviet Union: from almost 80% in favour of the US in 1991 to 54% expressing friendship with Americans in early 2010. Although this points to significantly decreased support, the data remains relatively positive: the current Russian view of the United States is still higher than average when compared with many other countries.

Negative attitudes towards the US were only 6% in 1991, but this percentage has gradually increased to 31% today, with Russians regarding the US as threatening and confrontational. Negative spikes in opinion were recorded during the 1998 financial crisis, when Russians criticised the US for failing to assist them during a time of hardship, during the US invasion of Iraq in 2003 and during Russia's war with Georgia in 2008. Both the younger and older cohorts equally dislike the US while the middle age (35-45 years of age) have a clearly more favourable opinion.

Survey data shows that Russians are more favourably disposed towards the EU than the US. The Russians' attitude towards Europe has avoided wide fluctuations, despite a few dips after the financial crisis of 2008, when Russians expected more sympathy from their European neighbours and during the war between Russia and Georgia in 2008. A number of factors explain the more positive disposition. Simpler relations exist with Europe because Russians generally have more frequent contacts with Europeans and can increasingly rely on key partners. Germany is the favourite country, with Moscow and Berlin enjoying productive relations. Even Poland,

¹ The data in this section is drawn from several VICIOM (Russia) surveys covering the period 2000-2010, as well as a MARECO (Poland) survey of April 2010

despite long-standing animosities between the two countries, is seen by the Russians as a potential partner.

"Germany is the favourite country, with Moscow and Berlin enjoying productive relations."

The Russian elite's has frequent doubts about the intentions of Western countries towards it and the same individuals might hold different views and attitudes depending on the particular issues at stake—at times positive, at others negative. In contrast, the population is generally pragmatic and understands that life is materially easier and more comfortable in the West. They see better social outcomes in North America and Europe and more opportunities there in the business sector, against which they rate theirs poorly. This is not to say, however, that they long for such a model to be applied to their country. Many dislike the Western model of society, although they remain open to deals with the West to preserve peaceful relations. Russians aged 34 and less are the most sceptical about the Western model and would like to see a distinctly Russian one emerge.

One of the largest barriers hindering mutual understanding between Russia and the West is the very definition of democracy. Democracy, freedom, political parties and justice carry different meanings for both. Most Russians say they would enjoy democracy, which runs contrary to what many in North America and Europe believe. Democracy is closely associated with prosperity, with a stable social and political order, and with a strong, commanding leader. It is therefore not surprising to find out that over half of Russians believe order to be more important than individual freedoms and rights.

The presenting experts observed that Russia's images of the West do not match Moscow's behaviour towards it. Russians believe that mutually profitable, co-operative relations trump confrontation. This calls for a coldly pragmatic approach to managing relations between Russia and Western societies, with an emphasis on deal-making.

How Westerners (and others) view Russia, and why it matters

The neighbours' views of Russia are as diverse as the territory which Moscow controls and its population. China qualifies the former communist giant as a "has-been". Other neighbours would like Moscow's spectre to diminish, while others deal with it "more or less as it comes." If Russia sees itself as a great, aspiring power and one

entitled to direct the former Soviet space accordingly, this view is certainly not shared by the surrounding political actors.

Western attitudes towards Russia are not homogenous but can be seen roughly as forming three fairly consistent camps: a) the United States, which has in practice had arms control as the central element of its policy towards Russia; b) Germany, France and Italy, which take a commercially favourable, state-centric perspective; and c) Scandinavian countries, former members of the Warsaw Pact and the United Kingdom, which find it difficult to trust Moscow but wish to create conditions for practical relations to emerge. The inherent divergence has made it challenging for the EU to build a coherent policy towards Russia.

Attitudes on both sides have shifted over time. In the West, levels of engagement are based on different national, historical experiences and expectations. However, the internal evolution of Russia is the single most important factor influencing the country's attitude about itself and towards the world; policies of all foreign actors play a subordinate role to this driver.

A significant bone of contention between Russia and the West is NATO's expansion. Russia's military doctrine continues to view NATO as the main threat to the country's security despite the military alliance's many statements countering this perspective. Former Warsaw Pact states, however, consider NATO their primary protector against Moscow's intention to restore its great power status. This view is not without justification, considering recent Russian actions towards its neighbours.

Western analysis has tended to focus on Russia's regional ambitions, stressed a presenting expert, rather than judging it by "the values proclaimed in the West." This has resulted in a perception of Western double standards amongst some Russian officials and liberal thinkers. It has also created an apparent dilemma for Western decision-makers: to support the "evolution of a liberal polity, or at least a Russian state open to collaborate with the Western powers, on the one hand, or countering Moscow's ambitions, on the other."

Western hopes of encouraging liberalism during the 1990s have been "replaced with quick and warm acclamation" of Mr Putin's first-term reforms and "silence towards the vertical power system and suppression of civil liberties that followed." Criticism of Russian abuses in the North Caucasus was not voiced, and usual business relations resumed shortly after the conflict with the Republic of Georgia.

Relations with the Russian government remain tense, although there lingers a palpable desire in Washington and several other capitals to work more constructively with Moscow. Personalisation of the Russian leadership by the West has focussed on the sole top ruler and the interests of the political system, instead of focussing on Russia itself. This reflects a well-entrenched political and cultural bias from the Cold War.

Russia and the West, thought the presenter, should nonetheless attempt to work together internationally, which means addressing practical issues outside of Europe. But one should not expect such co-operation to lead Russia automatically to take more moderate positions in Europe and the former Soviet space. If Russia's political culture were liberalised, an argument for adopting a more conciliatory attitude towards Russia may then be more compelling. But nothing can guarantee this development; the continued rule in Russia of a narrow elite might well mean more, not less, antagonism towards the West.

Discussion

A participant asked how the Government of Canada and other countries can prepare for the alternative future scenarios awaiting Russia and how to identify critical indicators within its political system which would point to significant discontinuities. One of the presenting experts answered that close attention must be paid to the appointments made to senior bureaucratic posts and positions of influence at state-owned enterprises (SOEs) by President Medvedev and Prime Minister Putin. As long as the current group is in power and Mr Medvedev is surrounded in the Kremlin by people who owe their careers to Mr Putin, the logic of the "Putin system" will prevail. There are few indicators at the moment of impending change in this sense. Other domestic indicators of change include:

- how much media attention Messrs Medvedev and Putin receive; for example, in contrast to the former, Mr Putin receives less attention from bloggers;
- how pockets of civil unrest are dealt with; bouts of collective outrage have flared up after significant domestic events were covered up;
- the evolution of the justice system and the degree to which corruption affects the police.

Commentators should also guard against what the expert qualified as misleading indicators. For example, many conciliatory steps were taken by Moscow towards Europe and US But without broader

changes in Russian foreign policy, one should not conclude that Russia, on the one hand, and Western countries, on the other, are indeed "engaging" positively.

In response to the same question, another expert underscored two developments to help approximate Russia's political future: whether Vladimir Putin will seek to be, and become, president again in 2012 and the question of Russia's "deep modernisation". If Mr Medvedev does remain president after the next election, gradually displacing influential figures from the Putin era to surround himself with a new team of intellectuals and entrepreneurs, significant change will be underway. This will be further helped if Mr Putin no longer assumes the prime minister's responsibilities.

The same expert emphasised, however, that few Russians believe Mr Putin to be a genuine moderniser and believe that Mr Medvedev is ill-fitted to lead successfully considerable reforms, many seeing no organisation in his supporters' "camp". Modernisation is a difficult concept as it risks removing both men from office, something that neither wants presumably. One should also not dismiss entirely a scenario in which the opposition is strong enough to challenge both leaders after 2012; however unlikely, this scenario leads to chaos with unknown consequences.

The complexity of the Medvedev-Putin relationship was explored on many occasions during the conference. The purpose of the leadership tandem is to foster an image of accountability, diversity and transparency. Stereotypes portraying Mr Medvedev as the soft moderniser and Mr Putin as the one making tougher decisions (like war with Georgia) are not useful literally; instead, they provide a metaphor to understand the complementarity of both men: the president attends to special projects, like co-ordination with the BRIC countries, while the prime minister makes the actual decisions. Issue was taken with a statement made to the effect that the two leaders' actions had allowed Russia to fare well during the financial crisis and the global economic downturn. One countered that Russia could take no credit for having faced the situation since the price of commodities had begun to rise again globally.

One participant challenged a comment made by a presenter who said that "Russia is run by the people who own it". He indicated that this generalisation is more appropriate when discussing Russia in the 1990s. However, following the trial and subsequent imprisonment of oil executive Mikhail Khodorkovsky, he also stressed it is far more accurate to say that "Russia is owned by the people who run it." The participant further explained that the most startling feature of Russia's

political economic system today is that anyone powerful enough and longing for money and property "can simply go out and take it." The Federal Security Service (FSB) officers, for example, do so routinely for their personal benefit.

Probing the possibility for a thorough transformation of Moscow's political elite, an expert underlined the consequences of such change: ruling classes losing their assets, or risking losing them. Any substantive change therefore must result from segments of the elite bringing it about, but this is difficult in today's Russia, the presenter clarified, as any plot would be uncovered rapidly. Another expert offered a similar view about the political economy of Russia by equating political control to ownership. Genuine liberalisation of Russia's political system would be more likely if entrepreneurs requested access to functioning courts of law instead of seeking to secure political power itself.

A member of the audience, reacting to the survey data presented on Russian public opinion, wondered why young Russians dislike the Western model of society. The speaker answered that they fear that applying Western ideals to Russian society "will limit future opportunities" for them. He explained further that the period following the Soviet Union's collapse generated a sense of humiliation, which "has been passed down to this generation." Western policy-makers should therefore not place much hope on progressive change in Russia being led by the next generation in the coming decade.

Double Perspective

Is Russia bound to remain an authoritarian country?

A first angle...

While he did not believe that Russia is bound to remain authoritarian, a first expert said that Russia must address serious challenges to become less so, raising several points useful to understanding political centralisation (and personification). Russian-style democracy will inevitably look somewhat different from other styles of democracy, and observers must be reminded that Mr Putin did not seek to remain president in 2008 despite having the levers to do so. One wonders whether Mr Medvedev appreciates this, and feels indebted to, Mr Putin for having facilitated his ascension to the presidential function, enjoying a weakened prerogative, or on the contrary if his power is not at all hindered by his mentor's influence and plans. More importantly, wondered the expert, would a truly democratic Russia be favourable to the United States? Even if a democratic Russia might

be preferred by other international actors because of its improved predictability, the previous discussion of public opinion, especially amongst younger Russians, could then presage unexpected and growing anti-Americanism and a matching political direction.

Foreign powers might have a useful role in facilitating Russia's democratisation but also face a related conundrum: they remain doubtful about Mr Medvedev's ambitions and genuine capacities. They may have warmed to him but, inquired the expert: "Do we concretely know what he wants and, more importantly, can he deliver?" If foreigners engage with Mr Medvedev increasingly to the detriment of Mr Putin, would the latter take offence in foreigners—especially US actors—circumventing him, in turn minimising the chances of an improved Russia-US relationship?

"An elite benefitting from a declining share of the 'pie' would oppose change."

If Mr Putin controls the Russian political system, his former protégé, now president, has the constitutional power to remove Mr Putin from his position. For his part, the prime minister has the tangible power to remove the president from his functions, but such a move would carry a high cost. Mulling over the authoritarian nature of Russia's politics, observers may ask how the system will begin to evolve. The expert indicated that any change would need to start with the prime minister directly and take root amongst the elite. Another factor likely to favour change centres on corruption and the availability of resources. An elite benefitting from a declining share of the "pie" would oppose change.

And a second one...

A second expert agreed with the first that Russia is not bound to be an authoritarian country, stressing that it is not one today. In contrast, he thought, Moscow is headed in the "wrong" direction, and there appears to be little hope for political decentralisation through the actions of President Medvedev or Prime Minister Putin, whom the expert believes will return to power after the 2012 elections. Mr Putin's mentality is anchored in his experience as a KGB officer. He is suspicious of any change that could jeopardise his control or that of his influential vassals; Mr Medvedev is therefore unlikely to introduce genuine democratic practices to Russia. It was clearly argued, however, that Russia is not the Soviet Union in the minds of Russians: they can travel abroad, make a decent living, and acquire almost anything.

Because it was inaccurate, said one presenter, foreign insistence on describing Russia in the 1990s as a democracy may have done "harm" to the notion of democracy. For the population, the period was one of weakness and chaos, and the arrival of Mr Putin marked a much improved era. The presenting expert shared the following reflections which analysts must bear in mind when determining how authoritarian Russia is:

- corruption is deeply entrenched, and Russian political leaders have become hostages to their own system. It follows that Mr Putin would find it almost impossible to leave politics even if he so wished;
- television is largely controlled by the state and remains the primary medium through which Russians receive news and information;
- apart from the relative stability it buys from dreaded local leaders who have little regard for human rights, Moscow has literally no control over the North Caucasus;
- government shows restraint when responding to protests because it fears drastic measures would lead to more demonstrations;
- elections are not free and fair; governors are appointed; the power of the FSB has been expanded; and terrorist attacks in Russia have become a convenient excuse for undemocratic action on the part of the authorities; and
- Russian leadership views democratic advancement in its neighbourhood as a threat.

Despite this bleak depiction of state control, a genuine intellectual debate about the country's political and other future does take place in various media. Most importantly, the expert pointed to the many blogs and other Internet-based sources, which operate virtually free of state interference.

Discussion

Both presenters view Russia as a relatively stable, hybrid political system combining elements of authoritarianism with burgeoning features of a democracy. But what is the interaction in Russia between those two streams of political thought, and does it matter at all whether the country becomes more or less authoritarian from the point of view of Western politics and US strategy? Many believed that a realpolitik approach to Russia is the most likely to pay dividends for the United States. Those and other issues were explored further

during a debate between the two presenting experts and a plenary discussion with all conference participants.

The political system's sustainability will indeed depend largely on national wealth. "Important actors and segments of the population can be bought off, with corruption money trickling down and across to the benefit of several economic classes," said one expert. But "if national wealth contracts, affecting tangibly overall prosperity, fissures will emerge and the situation risks becoming more explosive." The rising price of oil may be detrimental to Russia as it removes pressures to implement economic and possibly political reforms.

Democracies, underscored one presenter, often disagree but can also join forces at times to achieve common interests. Despite what was termed its "incomplete state of democracy", Russia does co-operate with other countries on a variety of issues, including nuclear security. One of the debaters, however, contended that international collaboration is generally much easier amongst fully democratic political regimes.

The presenting experts disagreed about Russia's perception of democratic practices in its neighbourhood. One argued that the nature of the governing system matters not as much as "the leaders [in those countries] and whether or not they are friendly towards Moscow." Another source of disagreement centred on Mr Putin's "KGB mentality", referring to the effects on his personality of having assumed senior responsibilities at the Soviet intelligence service and its Russian successor. While Mr Putin has an instinct for control, he also stated during an interview in a popular magazine during his first term in office that he learned as a KGB officer "to listen to people and understand what they want." The support he enjoys in opinion polls is due in considerable part to the fact that he does not take domestic decisions that would be unpopular.

Russia does view democratic development particularly along its borders as a threat not only because it may produce leaders who are less favourable to the Kremlin's direction, but because it could also produce countries that become resolutely anti-Russian and seek to deepen integration with the Euro-Atlantic community. It is one of Russia's definite aims to impede the emergence of democracy in countries along its borders and their ability to join the EU or NATO.

Considering recent social trends, the protests in Kaliningrad and Vladivostok in winter 2010 and the use of the Internet to expose issues, a conference participant asked what event or development could lead to a sudden shift in Russian politics. Many commentators

Matching Ambitions and Realities:

believed that momentum had been building behind the protest movements, but that the March 2010 bombings of the Moscow metro "took a lot of the steam out of the opposition." The second presenter, however, stressed that the key factor determining social stability remains the government's ability to maintain standards of living and economic growth.

The 2012 elections will play a pivotal role in these matters, though the presenting experts did not agree how. One said that Mr Putin has not yet made statements as to whether he will run for president: "Either he has actually not decided or he does not want to drop clues because it would undermine Mr Medvedev's position today." The other did not concur, seeing no incentive for Mr Putin to remain discreet if he does indeed wish to seize power anyway.

A participant questioned a statement that Russia was not a democracy in the 1990s by saying that some have suggested that the period consisted of the "beginnings of democracy in the country but that it just did not have a chance to run its course." He invoked the rapid decentralisation and the birth of genuine political parties. If one holds this to be true, then how would one notice the start of democracy today?

One expert indicated that Russia had features of a democracy (eg freer media) in the 1990s but that the shelling of the parliament in 1993 and the invasion of Chechnya in 1994, with the ensuing human rights abuses, marked a retreat in democratic development. There was also disagreement about the statement regarding the development of political parties during that period. Elements of a burgeoning democracy include the rule of law, a free press, real political parties, competitive elections and accountability—elements which are not visible today.

The relationship between corruption and authoritarianism was further analysed. Corruption in the country includes low-level bribing, but its deeper form is exemplified by individuals who influence companies, while holding senior and other positions in the government. This gives rise to significant and lasting conflicts of interest. The result is, on the one hand, strong resistance to a gradual opening of the established order and, on the other, the risk of sudden and dramatic rifts due to the built-up, inherent tension.

Several participants pondered whether "the great equaliser" is in effect the Internet and the flourishing blogging activity it supports. Yet if many Russians have access to the Web, it is difficult to assess their

level of access. How many use it daily? How many others will browse only periodically? Internet is fairly free in the country, and that may just be because it still has a relatively limited impact on political life.

Russia in the World

Bitter fruits of history: Russia and the United States

Although discussion abounds about a new start in relations between the United States and Russia, one expert opined that the "reset policy" does not represent a clear strategy for the US. It merely frames "a new level of trust and predictability" in the relationship between Moscow and Washington. If the tone between the two capitals appears to have improved, the fate of the policy's cornerstone, a re-negotiated STET, is uncertain because it has not yet been ratified by the US Senate. If it is not ratified, "the reset policy is over and there is no alternative; the US is left without a framework to deal with Russia and European security." Russia interprets the policy as recognition on the part of the US that much of American actions in recent years have been harmful to the international community; that the former foe is at last showing the appropriate level of respect towards Moscow, and that it takes the latter's views more seriously. For the United States, however, the reset policy is not a licence for Russia to interfere in what it considers its privileged sphere of influence in the former Soviet Union in order to "restore regional strategic bipolarity" in Europe and Eurasia.

The cold-hearted negotiations which generated the new START will, the United States government hopes, improve mutual confidence and make possible collaboration on broader proliferation issues, with particular attention paid to Iran. But commentators have noticed an important distinction between Messrs Medvedev's and Putin's aspirations regarding the future of Russia's nuclear weapons arsenal. Mr Medvedev indicated that no nuclear weapon would be developed in addition to those which have already been scheduled. Mr Putin believes that Russia requires more offensive weapons, which he justifies given the United States' plans to build its own defences. The president's perspective seems to have prevailed in the START negotiations.

Besides the hurdle of Senate ratification, said the presenter, the new treaty presents weaknesses regarding verification, missile defence and force structure. Contrary to expectations and because of the unconventional accounting used to describe both sides' arsenal, the treaty will not reduce nuclear warheads by 30% and instead allows

Russia to maintain 2100 weapons, not 1550. Russian offensive developments and nuclear modernisation are not constrained by the treaty. It permits tactical nuclear weapons deployed by cruise missiles from nuclear submarines, and it contains no restrictions on multiple independently targettable re-entry vehicle (MIRVs).²

Regarding Iran, the expert believes that Russia will increasingly support UN actions to prevent Tehran from establishing a nuclear weapons program. Such support, however, may imply trade-offs, in particular ensuring that Russia is granted membership in the World Trade Organization and perhaps even giving it somewhat of a "free[er] hand" in Ukraine and other countries on its eastern periphery.

An area of importance for the US is the future of the Nabucco project, a pipeline designed to bypass the Russian-Ukrainian gas network. This is problematic as Azerbaijan, a critical supplier for an effectively functioning Nabucco, has tense relations with the United States of late. Without the Nabucco pipeline, Eastern Europe and other parts of Europe would become increasingly dependent on Russia for the supply of natural gas. The expert also stressed that, despite US desire to prevent the expansion of Russian influence in Eurasia, the US is not reacting as the Ukrainian leadership conducts "a leveraged buy-out of Ukraine's energy networks".

For Russia, democracy is the real threat. As it moves west, democracy not only stabilises its neighbourhood but also provides an example for all Russians that their lot could be improved. This reinforces the idea of the West as Russia's main enemy, something made clear in Moscow's military doctrine. The speaker suggested that, in the future, the US should focus on both Eastern Europe and the Commonwealth of Independent States, instead of devoting attention specifically towards arms control when dealing with Russia.

Fearful necessity: Russia's relations with China

The Sino-Russian relationship is filled with prejudices and misperceptions. Despite proclamations about strategic partnership and displays of public unity, it is essentially a relationship of convenience with limited potential for growth.

Russia recognises that it stands to gain from co-operative ties with China. However, the two countries have contrasting views of the world and their respective places in it, and sometimes conflicting priorities. Despite talk of a "shift to the East" in Russian foreign policy, Moscow

² Single-launch missiles striking several targets.

remains overwhelmingly Western-centric. The 2008 financial crisis and global downturn underlined the extent to which Russia's fortunes are tied to the West. And while its leaders call for closer economic ties with China, they are not prepared to work seriously to achieve this goal. Even in the relatively promising sphere of energy, the Chinese are increasingly looking to Central Asia as an alternative source to Russia within Eurasia.

For Moscow, relations with China have sometimes been a source of psychological and geopolitical comfort, a way of sustaining the myth of Russia as a global power. China is a central element in its strategy of regional and global balancing, and Russia has employed the so-called "China card" to pressure the West into paying greater attention to its interests. But these attempts at leverage have met little success, both complicating Russia's relations with the West and irritating Beijing. The excessive Sinocentrism of Moscow's approach in Asia has also hindered the development of more productive and substantive relations with Japan and India.

"...relations with China have sometimes been a source of psychological and geopolitical comfort, a way of sustaining the myth of Russia as a global power."

The Russian elite has mixed feelings about China's rise to global influence. On the one hand, it is pleased to see the end of America's domination of international politics. On the other hand, there is mounting concern at the widening power imbalance between Russia and China. Moscow retains deep-seated concerns about Beijing's long-term intentions, and fears that China could eventually become a more threatening hegemon than the US.

In the short to medium term, both sides will look to defuse tensions and contradictions in their relationship, and expand co-operation where possible. Over the long term, however, the growing inequality between them is likely to result in greater Chinese indifference towards Russia, and a corresponding increase in Russian resentment and anxiety. Moscow may look to "manage" China's rise by moving closer to the West. Indeed, it hopes for the emergence of a redefined West – a Greater West that situates and recognises Russia as a central player without preconditions.

Energy as currency: the Kremlin's approach to Europe and the European Union

Energy as a currency implies that Russia's policy towards Europe and the EU is "predominately if not exclusively based on its discretionary position as a prime energy supplier," said an EU official. When analyzing energy relations between Russia and Europe and the EU, two questions need to be explored: first, how realistic are Russia's "ambitions to regain geopolitical weight by playing geo-economics" and, second, is the Kremlin truly free to play the energy card against Europe? Recent events and the fact that some European countries are entirely dependent on Russia for energy supplies seem to indicate that Russia is flexing its might vis-à-vis its neighbouring clients. The striking reality, however, is that Russia needs the European customer just as much, if not more, than Europe needs Russia for its supply of oil and gas. There is also a general trade imbalance between Russia and the EU: the latter is by far Russia's largest trading partner, yet less than 10% of the EU's external trade is with Russia. At least for the mid-term, energy interdependence will guarantee relative stability. For Russia, said the official in his remarks, the objective may not be to extend its reach into Ukraine and other transit countries, but rather to make sure no competing commercial influence arises or economic opportunities are lost.

In reality, the possibilities for redirecting gas exports away from Europe are limited. Asia receives only small amounts of Russia's output. The gas market in China is in any case unpredictable because natural gas is not prominent in China's energy mix. To complicate matters further for Moscow, as one of the conference presenters indicated previously, China is already securing other energy supplies. That Russia is playing the Asian energy card towards Western consumers is a myth, stressed the presenting expert. China is more of a rival than an ally.

There have been instances of profound disagreement between Europeans and Russians, most significantly over gas prices. In numerous instances, Russia "has lured or forced its neighbours into appropriate behaviour" by turning off energy supplies. These energy disputes between Russia and some of its neighbours have in turn led Russia, in partnership with some European countries, to circumvent countries like Ukraine with pipelines such as the Nord Stream. These contracts between Russia and individual European countries reveal a fragmented EU position concerning energy.

Diversification of supply and transportation routes are two important objectives for the EU. Of particular importance are the Nabucco

pipeline project and other options in the southern corridor. These pipelines bypass Russia, Ukraine and Belarus both in the north and south. In reality, however, Russian gas supply to the EU cannot be fully replaced by other resources. Pipeline politics may therefore play a certain psychologically comforting role for Europeans.

Discussion

A member of the audience asked for one of the presenters' opinion about the role of the Collective Security Treaty Organisation (CSTO) and the relationship between Russia and China. The presenter responded to the question by invoking first the Shanghai Co-operation Organisation (SCO). For China, the main "utility of the SCO is to facilitate and legitimise its entry into Central Asia." The Chinese are keenly aware that fostering bilateral ties with the Central Asian republics risks fuelling concerns amongst their neighbours. The SCO provides "a vehicle for China to portray itself as a good regional citizen; this is one of the reasons why the Chinese resist Russian attempts to broaden the SCO's purview to turn it into a geo-political organisation."

From the Russian perspective, the CSTO is an important initiative in part because China is not a member of it. While the SCO represents China's "multilateral instrument of influence in Central Asia, the CSTO and to some extent the Eurasian Economic Community perform much the same functions for Russia." Another commentator described the SCO as invaluable to Central Asian states because "it is the only forum where they can get both Russia and China to listen to them and give them the material and intangible resources they need to enhance their security."

In response to a question about whether Russian foreign policy is instrumentalised to maintain regime legitimacy, one commentator used the example of Russia and China and how Russian leaders have stated that their country can play a pivotal role between China and the rest of the world. Despite its aspirations to do so, Russia cannot position itself between the West and China, as a bridge between Europe and Asia, because international actors simply do not see it seriously in this role, especially not China.

A conference participant asked the panel to comment on the results of a sociological study conducted by the Russian Academy of Sciences amongst the graduates of the military academy from 2000-2008, that is, today's elite military officers. The Academy's poll sought to identify whom they view as Russia's enemies: first was the US, second NATO and third China. What implications might this have for military

forces and defence policy? A panellist said that, whereas the US and the broader West are seen as a geopolitical, normative threat, China "is seen by many Russians as an existential threat" in the long run.

Considering Moscow's nuclear plans, strategic deployments and general reform of the military, Russia likely takes seriously the prospect of a Chinese military threat. It is equally concerned about the possibility of security threats arising from Asia beyond China, including the collapse of the Korean peninsula. Recent joint military exercises by Chinese and Russian forces, announced as counter-terrorism exercises, amounted to conventional warfare options. These exercises, contended a panellist, likely were a warning to Washington by both Beijing and Moscow: *do not interfere in the northern Korean peninsula.*

A discussion centred on the dynamic between Russia and China and how Moscow manages public perceptions of its relations with eastern neighbours. After all, its military doctrine points to NATO as *the* danger, but contains no mention of China. One commentator agreed that "elements of the doctrine and other statements can be interpreted as a signal to China, but Russia will never state publicly that China is a threat." What, one may then wonder, is the purpose of the military doctrine and the foreign policy paper? Those are more political documents than actual guides to policy. Their purpose is to signal to the West that Russia is seriously concerned about NATO and US interference in the former Soviet space, but also to reaffirm that, in spite of concrete evidence to the contrary, Moscow enjoys a truly like-minded strategic partnership with China. The military doctrine therefore performs an extremely important public relations function.

Regarding Russian-European energy interdependence, a participant indicated that the relationship is asymmetrical and that the future development of shale gas in the US will provide significant supplies of liquefied natural gas to world markets, including to Europe, which have the necessary facilities to receive it. It follows, opined the participant, that Europe will become less dependent on Russia's resources. Some also wondered whether the Nabucco or South Stream pipeline projects would ever materialise, arguing that the economic basis for them is very weak. Russia, while weaker vis-à-vis the EU, benefits from being the sole actor.

Opportunities and Challenges of the Russian Economy

Diversification efforts

When discussing Russia's economy, a speaker stated that diversification debates are bound to remain rhetorical. Just as it has in the past, the country's immense oil and gas resources will continue to offer unrivalled opportunities for economic wealth and geopolitical influence. President Medvedev favours the development of new, alternative industries to decrease the current reliance on hydrocarbons as the primary revenue source for the state, a reliance he qualified as "humiliating, degrading and primitive". However, even the best-intended political fervour will not change reality on the ground (let alone *under* it) and those resources will count amongst Russia's comparative advantages long into the future.

The idea of diversification is a sound one and, at its heart, is the need to manage the risk associated with a commodity whose price is set by international markets and fluctuates greatly. A national economy enjoying a broader range of industries will be able to depend on vibrant sectors when others face challenges. Although this is not the case of Russia, the country was nonetheless able to face the uncertainty caused by the 2008 financial crisis by using large, state-controlled stabilisation funds.

A serious concern for Russia is the possibility of a long-term decrease in value of its energy resources. It may well be able to control production, but has little influence over prices. Moreover, Russian leaders believe that energy prices are susceptible to international manipulation—particularly by the US—which heightens the importance of prices for the country's economic sustainability and, in effect, its national security. This is all the more striking when considering the potential weaknesses of Russia's energy security strategy. With the discovery of methods allowing for the production of shale gas globally, considerable efforts to promote alternative energy sources, and efforts by Europe to lessen its dependence on Russian oil and gas, the Russian economy may take for granted neither its current clients' reliability nor its future growth.

Relationship between the private sector and the political class

Relations between the political and business classes in Russia since the middle of the 1990s have evolved through four distinct periods.

The Oligarchic Golden Age (1995–1999)

This period is characterised by the omnipresence of the oligarchs, particularly in the circles of power after the re-election of Boris Yeltsin in 1996. Oligarchs were directly involved in the appointments and in the financing of political life at all levels. The result of this period, says the presenting expert, was the economic collapse of Russia in 1998 and the country's general decline.

The Putin Years (2000–2003)

The Yukos affair, which led to the incarceration of oil businessman Mikhail Khodorkovsky in 2003, exemplified the new division of assets in favour of an emerging elite brought to prominence by Vladimir Putin. Industrial sectors deemed strategic for the future of Russia were redefined, out of which a new oligarchy emerged. This period is seen as a turning point where oligarchs agree to the new rules of the game dictated by Mr Putin in July 2000: business leaders' property rights will be recognised only if they stop interfering in the political arena and pay taxes.

The East German Network (2003–2007)

This period witnesses the rise to prominence of individuals from the security services with no business background.

2008 to present

A new phase in relations between the political and business classes begins with the 2008 financial crisis; the ensuing turmoil illustrates the fragility of the country's economic model and of the Putin-Medvedev tandem. This forces the two leaders to negotiate a compromise with regards to appointments, with President Medvedev giving more latitude to traditional business figures. Some influential oligarchs active during the late 1990s, or even during the first mandate of Vladimir Putin, have returned to the scene. Ahead of the 2012 presidential elections, there remains a great deal of uncertainty as to who will retain the most influence amongst advisors and appointees.

The ruling elite has therefore welcomed newcomers since 2008. Most have been drawn from the usual pool of individuals faithful to Mr Putin but a small number of Mr Medvedev's favourites have also grown through the ranks or been given influential positions. An interesting paradox: while certain oligarchs depend on the state, the state also needs the oligarchs to manage some of its symbolic

projects, including the 2014 Winter Olympic Games in Sochi, the 2010 Asia-Pacific Economic Co-operation summit in Vladivostok, and Skolkovo (the Moscow School of Management).

Foreign direct investment into Russia

In its simplest form, foreign direct investment (FDI) was described during this presentation as investment flows from *rich* countries to *poor* countries. This simplification, underscored the presenter, explains the critical role of FDI flows into Russia, where average income levels are low and less evenly distributed compared to western societies. Despite the difficult economic reality of Russia, "badly functioning economies" enjoy in principle more room for growth. By importing better technologies and knowledge and by developing better access to foreign markets, an economy can quickly catch up by obtaining assets from abroad or resorting to imitation, instead of innovating at first. Debates therefore abound in Russia as to whether the country should follow this example to generate growth and wealth.

"Some future challenges, including corruption, may dissuade greater investment into Russia, particularly from Russians living abroad."

From the Yukos controversy to the 2008 financial crisis, FDI flows into the country were proportionally comparable to those into China and Brazil. In decreasing order of importance, the largest amounts of FDI into Russia during this period went into manufacturing industries (ie, car assembly plants), energy and retailing. But beyond large projects, and despite the general attractiveness of Russia to foreign investors, a dearth of reliable figures makes it difficult to see exactly how much direct investment is made into *and* out of Russia.

Some future challenges, including corruption, may dissuade greater investment into Russia, particularly from Russians living abroad. Corruption makes Russia less inviting for investors, especially when compared to the Chinese and Brazilian markets. Skilled labour in the car assembly sector is scarce outside of St. Petersburg; when economic activity was heating up, foreign companies faced challenges in accessing crucial resources like oil and gas. One of the most peculiar features of the Russian economy is its dual character. The transition from a centrally planned to a market economy implied a shift from a society which depends on trust in informal arrangements into one which depends on trust in formal institutions. Aspects of both systems are evident today.

Discussion

A participant asked the first presenter to comment on Russia's ability to control energy output—specifically to maintain output and the levels of investment required to do so—and whether the diversification debate could hamper investments in the oil and gas sectors. The expert replied that a decision on the part of the Kremlin to invest in fields other than oil and gas would have to be to the detriment of the energy sector; state resources are finite indeed. Also, there are fewer opportunities to increase oil and gas yields. To increase production, Russia will need to move into new areas in the east and north, which are colder, significantly more remote and therefore costlier. Developing those areas also requires a substantial commitment and colossal initial investments.

The panel was asked several questions about Russia's middle class. How does one estimate its size? What role, if any, might it play in promoting institutions and the rule of law, as well as in protecting property? One of the experts indicated that the middle class represented roughly a quarter of the country's population before the 2007-09 global economic turmoil. People in this category generally have no debt and own their apartment and a vehicle. Another expert commented that, perhaps surprisingly to western observers, the middle class supports Mr Putin's policies, which it credits for their relative wealth.

What might a "sensible" economic policy be for Russia, asked one participant? A commentator answered that it would inevitably have to build on the energy sector and open these sectors up a great deal more to foreign investment. He concluded by saying that if the future of the oil and gas sector is critical to Russia, then certainly it would be important to modernise it and invest in it on an ongoing basis.

The panel was also asked whether the security and intelligence apparatus generally contributes to the government's mandate and if members of the Federal Security Service (FSB) or the service itself, like the oligarchs, have private interests in the Russian economy. All security and intelligence services are indeed economic players, and senior officials act as businessmen. The expert stressed that officials generally do so for personal profit, not to further the state's objectives.

A participant inquired as to the oligarchs' latitude in making economic decisions. One of the presenting experts said that industrial sectors should be distinguished carefully. For instance, oligarchs involved in sectors considered "closely linked to Russia's sovereignty

(hydrocarbons, high technology generally) inform the government of their plans. But oligarchs operating in sectors considered less politically sensitive for the state witness much less interference.

Implications for Canada of Russia's Evolving Place in the World

Several features appear to draw Canada and Russia closer together: they control the world's two largest territories, boast impressive natural resources, enjoy the longest coastlines on the Arctic Ocean, and understand the vicissitudes of a harsh winter climate. Despite similarities, said the speaker, the two countries present sharp contrasts and there have been instances where "unbridgeable differences and irreconcilable visions" have prevented a consensus on international issues.

When assessing Moscow's behaviour, Canada's considerations are political, economic, ecological and military; it weights both domestic and external factors in Russia's policies and aspirations. Its views of Russia are naturally influenced by the way in which Canada sees itself playing a role in the world: this means promoting international co-operation and consensus when dealing with issues like Arctic governance and ecological sustainability. The Arctic, said the speaker, presents both countries with opportunities for pragmatic solutions.

President Medvedev has declared that Russia, like other countries, views certain regions as being directly related to its interests. If it is expected that all countries pursue their interests, Moscow's position towards its neighbours is worrisome to Canada. Canada is a member of NATO and is bound by its treaty obligations to protect the sovereignty of fellow alliance members close to Russian borders. For Ottawa, the presenting expert mentioned, the post-Cold War order which promises stability and respect for sovereignty is an important feature of the international system and must be protected.

It is in the strategic interest of Canada and other democracies to co-operate whenever possible with Russia. That being said, growing differences cannot be ignored. The expert recommended that Canada hold the Russian government to its stated intention to build a meaningful domestic system characterised by the limitations of power and the rule of law.

Raw Force: Military and Security Considerations

Current and prospective state of the Russian armed forces

During the 1990s Russia's armed forces faced several difficulties with lasting implications: the defence budget suffered severe cuts, procurement and training ceased almost completely and soldiers frequently had to wait for long period before receiving their salary. The prestige, discipline, morale and combat-readiness of the institution deteriorated as a result.

Mr Putin promised to improve the situation when he gained power and indeed was relatively successful: the defence budget increased, procurement restarted and training was intensified. This created the impression that the Russian armed forces, and at times the country generally, was experiencing a military renaissance. The image was used to assert the Kremlin's claim that Russia was once again a great power as well as to underpin a bolder foreign policy, especially towards the post-Soviet space.

But has Russia truly overcome the deterioration of its armed forces during the 1990s? Has it become a great military power again? In order to answer these questions, observers must ponder both the hard and soft military factors. Starting in the middle of the 1990s, the country began to modernise its nuclear strategic capabilities, designing a new class of strategic submarines equipped with the Bulava missile system. Even if delays and uncertainties have plagued the credibility of those modernisation efforts, most significantly with the Bulava project, Russia is certain to maintain a nuclear strategic deterrence capability after 2020.

Russia's conventional arsenal is quantitatively impressive but its quality is relatively low. Moscow is lagging with regards to the development of its capabilities for network-centric warfare, as evidenced by its actions during the 2008 war in Georgia. It became clear during that conflict that Russia suffered from the lack of unmanned aerial vehicles (UAVs), night-vision devices and modern communication systems. Russia's political leaders are well aware that their armed forces have not yet completed their transition from the industrial age to the information age. Thus, modernising the conventional forces is one of the priorities of the military reform program, which was launched in 2008. The proportion of modern weapons relative to the entire arsenal is to increase substantially

by 2020, an ambitious objective that can only be achieved if the arsenal is reduced and the defence budget further increased.

The military reform program dismisses the concept of mass mobilisation to replace it with a more flexible and mobile, combat-ready army able to address counter-insurgency and counter-terrorism operations, as well as operations in local and regional conflicts like the Georgia war of 2008. Reforming means abandoning the so-called "skeleton units", which are mainly staffed by officers who primarily maintain equipment and are only to be filled with reservists and armed in times of war, and replacing them with permanent, fully staffed and fully equipped units. The cumbersome divisions will also be replaced in favour of more adaptive brigades. Those two changes were implemented in 2009 but much more needs to be done, in particular improving the level of training.

The forces are also hindered by an over-bloated officer corps wanting in leadership skills and the absence of a professional corps of non-commissioned officers. The military reforms at the leadership level aims at reducing the size of the officer corps and creating a professional corps of non-commissioned officers.

Achieving the more difficult goals of the reform process depends on the availability of funding, the technological capabilities of the defence industry to build modern weapons (it is at present unlikely to produce what the armed forces need), and the ability to overcome the recruiting problems compounded by Russia's demographic outlook. However, if forced to choose between military reform and economic modernisation, priority will probably be given to the latter to avoid creating political risks for the country's leaders. Short on specialised knowledge, the country is already considering buying UAVs from Israel and helicopter carriers from France. The recruitment challenges are made no simpler given the low salary and sagging prestige which the forces enjoy; in this context, one of the highest hurdles will be moderating the hazing and bullying of freshly drafted men. These issues explain why conscription will remain but this, too, will bring about a new set of difficulties: the quality and quantity of recruits will decrease.

The minister of defence, Mr Anatoly Serdyukov, replaced a number of traditionalists in the military with reformers. However, major breakthroughs in defence are not anticipated in the medium term. President Medvedev has already given priority to the modernisation of the nuclear armed forces because of its prestige and to deter a possible future conflict with China. Nuclear modernisation will likely undermine efforts to create combat-ready conventional armed forces.

The reform process implies no major changes in the relations with NATO. The main aims of the initiative are to strengthen Russia's position in the post-Soviet space, to improve its capabilities for regional power projection and to strengthen its position as a predominant power in its sphere of privileged interests.

WMD programs: Proliferation risks and Russia's plans

Joint Russia-US programs aiming to control the proliferation of weapons of mass destruction (WMD) were expanded following the terrorist attacks of 11 September 2001, and further proliferation threats have constituted one of the main drivers of the current reset policy. Both sides have indicated that WMD threat reduction efforts should be made consistently, even when relations are "cold". But the diplomatic success of bilateral threat reduction programs is disputed. The presenting expert argued that this co-operation will not on its own foster broader rapprochement and that the counter-proliferation file remains very much hostage to the general political mood between Moscow and Washington. Two salient issues have caught analysts' attention with regards to this: the Russian-US efforts' effectiveness in preventing Iran from developing a nuclear weapon, and the safety of measures taken jointly to ensure Russia's nuclear material does not fall into the wrong hands.

Iran

Iran is a particularly complex and sensitive issue for Russia. During the presidency of Mr Yeltsin and Mr Putin's first term, diverging interests held in Russia by a wide array of influence brokers prevented the formulation of a coherent policy towards the Islamic Republic. This has changed in recent years for two main reasons. First, Russian national security decision-makers have been deeply sceptical about the United States; this has toned down Russian criticism of Tehran. Second, the Kremlin, although it has no desire to see Iran acquire nuclear weapons, does not perceive the Iranian threat with the same sense of urgency as their US counterparts. But Moscow's position vis-à-vis Iran has shifted lately, challenging Tehran's claims that its nuclear program is strictly for civilian use. Commentators have also speculated that Tehran's rejection of the Russian proposal to deal with fuel cycle provoked Moscow's ire because Russia, through its proposal, attempted to establish itself as an effective interlocutor in the eyes of the West.

Russian leaders also fear that any future military strikes against Iran might exacerbate domestic security concerns in the Northern

Caucasus. How might these calculations affect Russian behaviour? Some argue that if military action truly concerns Russia, then it will adopt much tougher sanctions towards Iran as a preventive measure. Others view sanctions not as an alternative but rather as a precursor to military action.

WMD threat reduction programming

When pondering proliferation concerns and the possibility of terrorists acquiring WMD materials to use in an attack, the real threat is not the security of the weapons themselves but of the materials. Thus, beginning in 1991, the Co-operative Threat Reduction (CTR) program was created and has since become the main driver of the joint efforts to secure Russia's mostly nuclear, but also chemical and biological arsenal.

Nuclear programs are at the centre of co-operative threat reduction efforts but also the most politically sensitive area in securing WMD materials. There have been numerous successes, including considerable progress in upgrading the security of weapons facilities, some downsizing of the weapons complexes, better secured stocks of excess plutonium, and an increase in the quantity of highly enriched uranium (HEU) returned to Russia from other countries. In general, Russia has been a co-operative partner in dealing with related problems outside of its territory. However, there has been little improvement in consolidating weapons storage sites or accelerating the elimination of HEU in Russia overall.

*“...there has been little improvement
in consolidating weapons storage sites
or accelerating the elimination of HEU
in Russia overall.”*

Negotiations with Russia regarding biological weapons have aimed to improve safety and security. Russian scientists have been mobilised to ensure their skills are put to peaceful use and that transparency is heightened. Despite some successes, particularly the considerable level of co-operation amongst the scientists, difficulties remain. Access to Russian facilities was limited to international observers from the beginning: they could visit some of the civilian facilities but none of the military ones. The Russian foreign ministry favoured inspection arrangements based on reciprocity with the US, allowing its own observers to access US facilities, but this did not materialise. The fact that Russian scientists were often seen and treated as proliferation

risks prevented greater progress. Moreover, the US Department of Defence was responsible for the US program and this institutional background became over time an obstacle to the program. The biological program is nearing completion, and non-proliferation efforts have now been transferred in both countries to other institutions with a public health focus, offering hope for renewed progress.

The tension remaining between Russia and the US is firmly rooted in the risk of proliferation. Moscow says its materials are safe and secure and pose no danger, while US officials are concerned about the Russian ability to control very large stocks and believe that Russian authorities underestimate the risks to their own facilities. The temptations born out of wide-spread corruption and opaque government budgeting systems blurring exactly how much money Russia is investing in the program make US concerns credible. The presenter concluded by saying that little change should be expected in Russia's position regarding WMD control programs in the future.

The role of the security services

The resurgence of the security services since Mr Putin's first mandate in 2000 has resulted in their infiltration into all spheres of Russian life, said a presenting expert. Today the FSB is generally held in high regard and is not criticised, at least not publicly. Many observers failed to anticipate the renewed prominence of intelligence organisations; if many individuals with a security background were indeed influential in the 1990s, the trial of Mikhail Khodorkovsky marked the moment when the FSB virtually declared that "property in Russia was something they controlled".

But why did the security services become so powerful? Opinion polls conducted in the early 1990s showed that few Russians felt defeated or humiliated; as might have been expected, the FSB felt very much the opposite. What Mr Putin has managed to do is to project retrospectively the FSB's own sense of humiliation onto the entire country. Now the private hiring of security services and raiding of companies is done in the name of a strong state; they are meant to restore Russia's *grandeur* while putting an end to the chaotic 1990s.

How influential, asked the expert, are the security services then? They are certainly central players in the country's economy. Their influence takes on many forms as their officials may sit on the board of directors of large Russian companies or actually manage those. The most startling aspect of this reality is the rent-seeking behaviour exhibited by intelligence and security officials who abuse their authority to serve their own private interests and those of their superiors,

instead of serving a disciplined structure of the state. The presenter indicated that FSB interference in the market to resolve conflicts amongst businesses will present a significant obstacle for the Russian economy to modernise in the future.

Discussion

One of the speakers was asked to elaborate on the constraints which Russia's relative weakness puts on its political ambition. Russia's ambitions will probably not dwindle with time but they may not, said the expert, translate into imperial plans. In the face of acute demographic challenges and the current state of the army, Moscow has neither the capabilities nor ideology to carry out imperial policies. In its attitude towards Russia, the West should therefore emphasise that the period of the 1990s was not "wasted" while helping Moscow deal with its "imperial hang-over". This means not compromising on the core interests of the West but clearly respecting Russia's unless they run against international law.

In response to comments made during the first presentation, a participant presented a crucial scenario: "if we assume that Russia has the political will, money, soldiers and everything the military would need in theory to achieve it, does the military leadership have the actual capacity to conduct a serious military reform?" And how would the potential increase in capabilities of the military, after a successful reform, impact the former Soviet region?

There is a rift between the traditionalists and the reformers within the military. Although the former is not as strong as the latter, there is no certainty as to which camp might prevail in defining the future of the armed forces. With regards to managerial capabilities, the expert said that some improvements in the organisational structure illustrate increased capabilities, but there remains chaos in the military at present. In answering the second part of the question, it was made clear that Russia is already the predominant power in the post-Soviet space—in light of its success against Georgian forces during the 2008 war—and this position would only be strengthened if the military reforms were implemented successfully. However, one needs to differentiate between Georgia and the Baltic states: Russia might like to use its power against Georgia but would not attack a NATO member state.

About Russia's security services, one member of the audience asked how, given the deteriorating image of the armed forces, might the Russian people re-define themselves. This is one of the most difficult things which Russians have not been able to deal with successfully

since the end of the Soviet Union, one of the presenter's responded. Part of the failure was blamed on the Russian intellectual class for not offering any alternative social vision. After Mr Putin rose to power, the intellectual class and Russian liberals largely remained silent again while a "Putin school of thought" grew deeper roots.

A question focussed on the prestige of the FSB and if, as in the case of the army, it faced difficulty in recruiting talent. It was made clear that the situation of the security and intelligence services is much different: because they are seen as a path to economic prosperity, competition in schools for jobs in those organisations is fierce.

What are the chances of reversing or countering the security services' expansive control of economic activity? Security services are *the* supreme form of bureaucracy in Russia, indicated the panellist, and it will not be possible to counter their action without historic political change and dismantling the entire system: why else would they give up their sources of revenue? The expert was not optimistic that the security and intelligence services, especially the FSB, could be "put back in the box".

Looking Inwards: Domestic Issues and Society

Moscow's relations with local power centres

Multi-tiered in nature and authoritarian at the regional level as well as in the centre, the Russian system of internal governance was analysed by one panellist. The system features several notable characteristics:

- informal practices trump increasingly formal institutions and real politics is done in secret. Members of the presidential and prime ministerial staff are unaccountable, except to their respective leaders, and governors are appointed, not elected.
- United Russia party officials, especially at the regional level, are pressured by governors and officials at the centre to falsify election results to guarantee an appropriate share of elected deputies in regional legislatures or to ensure a candidate favoured by the party's leaders is "elected" mayor.
- there is an absence of peaceful means for citizens and interest groups to engage in meaningful political activity; this has resulted in an outbreak of protest activity in the past;
- the use of appointed governors deprives the centre of shock absorbers when problems arise.

What, then, might the future have in stock for the country? Public opinion surveys suggest the public is relatively passive, disengaged, and more interested in private than public matters. What is more startling is that those features are more pronounced amongst the youths. Protests may have flared up in the last year, but both Russia's leaders and its political system do not seem to be vulnerable at the moment. That being said, cuts to social benefits, which are on the horizon, and the absence of infrastructural spending may lead to more accidents and further loss of face for authorities. Ultimately, as the presenter stressed, change in Russia depends on the individual and not the institutions.

Contained or brewing? Chechnya, Dagestan, Ingushetia

Since the early 1990s, the North Caucasus has been plagued by a number of conflicts rooted in different causes, including access to resources, land confiscation, and competition amongst oligopolies trading in illegal commodities. Those conflicts remained unresolved. Armed groups spread widely through the Caucasus, and almost no one had any control over them. This has resulted in the privatisation of violence and the fragmentation and criminalisation of certain fringe groups within North Caucasian societies. Violence, however, was more or less contained during the decade through the use of several formal and informal mechanisms.

Chechnya, Ingushetia and Dagestan have since 2006 suffered a resurgence of violence with wide fluctuations in intensity, space and time. For Moscow, this may be result from at least three interdependent factors: 1) the poor socio-economic situation in the Caucasus; 2) the continued Islamisation of North Caucasus societies; and 3) exterior threats afflicting the region because of the interaction between local extremist groups and foreign ones, including Al-Qaida.

Alliances in the region are fragile, based on interpersonal relationships and dictated by circumstances. Repressive measures by the security agencies have been largely unsuccessful. The elimination of several group leaders has only led to extremist groups atomising further and acting in an increasingly isolated manner. Those micro-groups, uncontrolled by the "Caucasus emirate", a self-proclaimed virtual state entity, are made up increasingly of youths radicalising quickly and violently.

Today's renewed violence is also the legacy of the Russia-Chechen wars of the mid-1990s. To confront Moscow, certain Chechen insurgent groups adopted a co-operative strategy based on personal

relationships, in particular with members of Daghestan's armed groups, in order to export the conflict to the neighbouring republics. The brutality of Russia's military action in Chechnya, combined with the considerable Russian troop presence in the Caucasus fomented instability; the fierce competition amongst Russian security agencies also contributed significantly to sustaining the violence. People of Ingushetia, Dagestan and Kabardino-Balkaria fought as mercenaries alongside Chechen groups but were forced to return home when repressive measures against the Chechens became impossible to counter, especially following Ramzan Kadyrov's ascent to power. Upon returning to their respective homelands, a number of them formed groups and the relationships with the Chechen armed groups, who had mostly retreated into the mountains of Dagestan, were maintained. This strengthened the networks created amongst those groups.

"Exacerbating the political situation in the Caucasus is also a crisis of legitimacy which sees regional authorities losing credibility."

Exacerbating the political situation in the Caucasus is also a crisis of legitimacy which sees regional authorities losing credibility. The Russian state may well assert its sovereignty on the territory but is unable to truly manage it. A growing gap separates the impoverished population and the local leaders, who profit from Moscow's financial support without addressing acute socio-economic problems. There is a rejection of central federal authority and some reforms have only fed instability. This gradual loss of credibility also affects the official representatives of Islam, who are seen to be too close to local political leaders.

The security consequences of democratic decline

Since the collapse of the Soviet Union, there have been almost three deaths for every two births in Russia. Immigration to Russia during the same period mitigated this downward trend but has not prevented the decline of the country's population by about seven million people. In absolute terms, this is the largest population drop that any country has experienced following the Second World War, with the single exception of China in the aftermath of the disastrous Great Leap Forward of the late 1950s and early 1960s (the decline in population was reversed in China after the policy was changed).

With regards to fertility rates, the drop in recent years represents an extension of low European levels into Russia. If fertility levels have recovered in Russia in recent years, they are still severely below replacement.

Ideally, indicated the expert, "a person wants to live in a society where death rates are stable from one year to the next or less stable but heading down". When comparing Russian and European populations, death rates in Russia have fluctuated erratically over time and are currently increasing. What is most revealing is that, compared to the death rates in the newer EU states—former Soviet Bloc states for the most—Russia's death rates are almost 50% higher; yet those measures were similar at the end of the Cold War.

The two main causes of death are cardiovascular disease and "external causes" (accidents, injuries, homicides). Here again, measures for those causes show wild swings since the early 1990s and a current increase. The relationship between deaths from heart disease and income levels indicates that Russia is a statistical outlier, with levels twice as high as would be predicted from income alone. As for death by external causes, Russia's levels appear to be as high as those of Burundi, Liberia, Sierra Leone, Angola and Congo. The upsurge in death rates has been concentrated in the working age population, revealing a particularly frail—and economically important—segment of the general population.

Discussion

The first presenter was asked to define potential indicators of domestic stability in Russia. In his view, one should monitor the possible participation of elite figures in government protests. The expert pointed to the 2005 protests against the monetisation of social benefits, which was described as "a unique phenomena": 15 to 20 governors directly or indirectly joined the protests then.

One participant inquired about a presenter's statement that Russian demographics have serious consequences for the economic future of the country. Recent research appears to question the causality between health and economic growth; therefore, if the Russian state invested more in improving the health of its citizens, this may not produce significant gains in economic performance over any extended period.

The presenter responded by saying that the interplay between health and economic performance is not unidirectional, and Russia remains "a curious exception" in many cases. For instance, Russia presents statistical anomalies with respect to education. In other countries, higher levels of education attainment correspond with much higher levels of life expectancy. In the long term, the expert cautioned, continued inattention to those challenges on the part of the Kremlin risks marginalising Russia in the global economy.

Uncertain Neighbourhood: Regional Issues

The Moscow-Kyiv dynamic

Following his election as the president of Ukraine in February 2010, Viktor Yanukovych has prioritised domestic issues in an attempt to secure power firmly at a time when the opposition is in complete disarray. A domestic focus has not prevented, however, important foreign policy developments, especially with regards to relations with Russia. The terms of the renewed treaty which allows the Russian Black Sea fleet to be based at the port of Sevastopol until 2042 were qualified by the presenting expert as irresponsible and negative for Ukraine. The gas accords between the two countries, in contrast, are unfavourable to Russia given negative implications for the reform of the Russian energy sector

In 2011, Ukraine is obliged to buy 36 billion cubic metres (b/cm) of natural gas from Russia at a discount price applying only to 80% of this volume. Studies have shown that if Ukraine invested in the development of its own energy resources and enjoyed a better-functioning economy and proper contract enforcement, its dependence on Russia would decrease dramatically. Given the context, however, the Ukrainian government established as it had in the past that it is more profitable to pay the discounted price, not consume all the gas, and then export the unused gas to the EU at a much higher price. The money generated from such trading activity becomes another source of revenue for the state. The Russian gas company, Gazprom, opposes the residual trade vehemently. The Russian-Ukrainian energy accords do include "take-or-pay" clauses, but ensuring that they are enforced remains the prerogative of Russia's political leaders. Moreover, the prospective hand-over of Ukrainian gas transmission networks and related businesses to Russian corporations has not materialised but should not be dismissed as a future possibility. If the Ukrainian president begins to give away national assets, might Moscow have more influence on him and some of his people than observers are aware of?

The agreement to keep the Russian Black Sea fleet in the Crimea for the next several decades is a thorn in Ukraine's side, said the expert, and has lasting military, naval, economic and intelligence implications. The fleet represents a colossal military and economic presence in the region and is the locus of intense intelligence activity, including covert political influence and penetration. The economic value of the facilities being used by the fleet, another hard bone of contention, has not been negotiated in the new agreement.

Under the new government, Ukraine has cancelled plans for intelligence collaboration with NATO. This begs the question as to what type of co-operation might occur formally and informally between Ukrainian force structures and Russian ones.

Future scenarios depict the strong possibility of ever more complex domestic and international issues for the two neighbours. The Ukrainians may well accept to trade off some aspects of national security in Sevastopol if revenues from the re-exportation of gas to Europe generate prosperity. But if their entire gas transit system is handed over to Moscow, Mr Yanukovich could hand the opposition a clear electoral advantage. If the opposition does come to power, it is probable that the agreements will be rescinded in what Russia will interpret, warns the presenter, as "an ostensible *casus belli*".

Unruly neighbourhood: the South Caucasus

Moscow's attitude towards the neighbouring Republic of Georgia is influenced strictly by its national security concerns, as well as by the psychological and emotional factors of a truly unique and deeply complex historical relationship. Despite the lack of a regional approach to the South Caucasus (Azerbaijan, Armenia, and Georgia), what remains consistent in Russia's policy has been the imperative to retain and augment its influence in the region to the greatest extent possible.

Mr Saakashvili gained power in Georgia with the stated desire to "thaw" the conflicts in the two break-away regions of Abkhazia and South Ossetia and, as had also been expressed by several Georgian governments since the late 1990s, to join NATO. Such enthusiasm was to seal Georgia's fate in the eyes of Moscow. As early as 2000, Russia was issuing passports to citizens of Abkhazia and South Ossetia; a trade embargo was introduced against Georgia not long after Mr Saakashvili became president; and Moscow continued to operate a military base in Abkhazia although an OSCE-brokered agreement had scheduled it to be closed down in 1999. Similarly, in the months leading to conflict with Georgia in the summer of 2008, Russia started building a military base in South Ossetia. The culminating point occurred in the aftermath of the war when, allegedly against the advice of several high-ranking Russian foreign ministry officials, Moscow recognised Abkhazia and South Ossetia as independent countries.

In sharp contrast, Russia's approach to Azerbaijan and Armenia has allowed it to play a constructive role in contributing to the settlement of the Nagorno-Karabakh conflict. The positive behaviour was perceived

in the United States as a deliberate effort on the part of Moscow to mark a milestone in the reset process between the US and Russia.

In the eyes of the Kremlin, the 2008 war with Georgia greatly enhanced its strategic power. Fostering its position, Moscow is making considerable investments to refurbish or build military facilities in Abkhazia, including the largest military airfield in the South Caucasus and a medium-sized naval base close to the administrative border with Georgia. Two bases were built by Moscow in South Ossetia and a third one near the Georgian border as a counter-weight to a Georgian base built to NATO standards. Serious investments are also made into reconstruction projects in South Ossetia. These strategic Russian assets are a reminder of the czarist military doctrine of the 19th century which stipulated that, "to control any side of the Caucasus, one must control both at once".

"In the eyes of the Kremlin, the 2008 war with Georgia greatly enhanced its strategic power."

Moscow's ambitions in Central Asia and role in Afghanistan

A presenter described Central Asia as "a buffer zone protecting the Russian geographical heartland and a key element in the assertion of Moscow as a great power". The former imperial master is able to assert itself in the region because of its pervading influence in the cultural, social, economic, military and political spheres. Russia is seen by Central Asians as the path to modernity into a European standard of living. Russia's strategic approach to the region is also grounded in pragmatic economic and security interests: it aims to control its borders to stem the flow of illegal drugs and migrants from the neighbouring republics.

Military co-operation—taking the form of joint exercises, the provision of equipment or personnel training and the use of Russian military and research facilities in Kazakhstan, Kyrgyzstan and Tajikistan—is seen to be most beneficial within bilateral frameworks. This proximity does not dispel the natural distrust which the Central Asian armed forces and security services feel towards their Russian counterparts. Elements of Russia's security services there are regularly accused of "playing with fire" by supporting clandestine groups or fuelling underlying conflicts between the states.

With regards to natural resources, Moscow still plays a pivotal role in the development of Central Asian hydrocarbon markets, even if competition with China (and the EU) is stiffening. If oil and gas form the cornerstone of regional trade in this sector, Russia and the Central Asian republics also trade in uranium, electricity, hydroelectricity, telecommunications, transport and agricultural products. Central Asian gas and oil prices are now adjusting to world markets, which means that Moscow is no longer able to exert control and export routes are no longer exclusively in its hands. China is projected to overtake Russia as the main trade partner of Kazakhstan and Kyrgyzstan in the short term, and of the other Central Asian republics in the medium term.

Russia's approach to Afghanistan is based on its experience of Soviet-Afghan co-operation before the 1979-89 war, which it views as a model for normalising relations in the present. If Moscow hopes to revitalise Russophile lobbies in Afghanistan, it remains to be seen whether the Kremlin has any ability to co-opt the Afghan elite. There is indeed growing commerce between the two countries but this pales quickly in comparison with Beijing's, Tehran's and Islamabad's trade with Kabul.

What, then, might be the strategic implications of NATO's presence in Afghanistan for Russia? Some in the Russian elite might hope that NATO will fail in its mission. It would legitimise the failure of the Moscow's campaign in the 1980s and also prevent the military alliance from gaining a foothold between Russia, China, India, and Iran. But many also worry a failure of NATO would further destabilise Central Asia and be far more detrimental to Moscow. Russia is an important partner for Central Asia but, wondered the presenter, this status is eroding gradually because the Kremlin has no coherent plan for the region and is challenged increasingly by China, the US and the EU there.

Discussion

A member of the audience stated that NATO's failure to offer membership to both Ukraine and Georgia emboldened Russia after April 2008 and led it to act aggressively in August of that year. Someone inquired about Russia's role in the Armenia-Turkey tensions and if Moscow profits from the collapse of the reconciliation effort. In response, one of the panellists said that Russia may indeed be satisfied with the break-down in the talks; its political motivations for leading the Minsk Group negotiations and those between the Armenian and Turkish presidents made it look like a responsible power after the Georgian war.

If Afghanistan is so strategically important to Russia, noted a participant, then why does it hesitate to provide substantial development assistance to this country? This, after all, is an objective which Russia could pursue without any military involvement. The expert indicated that Russia is emotionally bruised, if not traumatised, by its experience in the 1980s and that it simply lacks the funding and skills to make a genuine difference in Afghanistan. Russia may also hope that the West—not it—will pay in blood and treasure to stabilise the country.

Probing into the Central Asians' way towards a Europeanisation of their standards of living, someone asked why they would consider the Russian model first, and not the EU's. Seeking inspiration from the EU, said the expert, is something that only the Central Asian elite might do; surveys indicate that average citizens believe that the fastest route to modernity for them goes through Russia because of the cultural linkages (music, television, radio) and migration. While this attitude is slowly shifting, the expert added that protests against, and a hardening attitude towards migrants in Europe, provided an opportunity for Russia to entrench itself further as *the* genuine modernising force.

Security Stakes in the Arctic

The economic, political, and strategic stakes of an accessible Arctic, and Russia's ambitions in the region

Russia is ambitious, determined and assertive when it comes to the Arctic. Its shoreline covers nearly half of the North Pole latitude circle; it sits atop enormous petroleum and other natural resources in the region and, despite their relatively poor state, its armed forces have the strongest presence of all Arctic littoral states in the region. The Arctic does occupy a central place in Russian strategic thinking and the country will remain one of most influential actors in the north.

The Arctic plays a critical role Russia's nuclear strategy, too. It is an important test bed for weapons and it provides bases and an operational area for the nuclear forces deployed with the Northern Fleet, today the most powerful component of the navy. Recent years have seen an increase in Russian military activity in the north, which includes an increase in the flight activity of strategic bombers. These developments must be analysed against the background of relatively weak armed forces which aim to modernise quickly. Moscow plans to recreate a powerful ocean-going fleet in the next ten to twenty years and build at least three nuclear-powered ice-breakers for various

tasks in the Arctic. There is, however, a substantial gap between ambition and reality regarding these plans.

Although it cites the negative aspects of global warming, the December 2009 climate doctrine outlines the positive implications of global warming as it relates to the Arctic and, in turn, to the Russian economy. This means better access for the oil and mining industries but also new opportunities for maritime transport in the region.

The Arctic's impressive hydrocarbon resources could compensate for Russia's expected shrinking deposits in existing fields in Western Siberia. The 2008 US geological survey singled out natural gas as the dominant resource in the region, and it is located mostly in the Russian-controlled sector. The ultimate object of Russia's Arctic policy is therefore to transform the region into the countries' pre-eminent base for natural resources by 2020.

While the Arctic may be a promising energy frontier, the size of oil and gas deposits remain uncertain. Blurring the prospects are the tremendous technological, logistical, and environmental challenges to extract those resources: the Arctic is indeed a high-cost region for extraction. The maximisation of the country's energy potential will be further hampered by the many dysfunctional features of the political and economic structures in Russia, as well as the volatile price of oil, production from other regions and the development of alternative fuels.

Despite extreme navigational challenges, the opening of sea routes for maritime transport is attractive for an ambitious Russia. There are plans to ship energy using the Northern Sea route westwards to Europe and eastwards to Asia, which would represent an important element in Russia's energy security. But such good commercial fortune is contingent on the development of a modern infrastructure, and a communication management system for the Northern Sea route to be used safely.

Russia is also faced with serious challenges associated with protecting and monitoring nearly 20,000 km of border in the Arctic Ocean. This explains why the coast guard wishes to establish a permanent monitoring zone at entry points and an automated Arctic maritime control system by the end of 2010. Talks of increased military activity near Russia's borders is viewed as a security threat which, in turn, serves as an argument for a continued and reliable military presence in the region. Despite the heated rhetoric, the presenter argued that increased co-operation to meet common Arctic security challenges—human, economic, environmental—represents a unique opportunity for other Arctic littoral states to build mutually beneficial relations with Russia.

Diplomatic crises and incidents over resources and borders may abound, said the expert, but military confrontation in the Arctic is mostly unfounded. The littoral states have a long history of successful regional co-operation on resource management; the most promising potential petroleum reserves are in areas of undisputed national jurisdiction, and all states have reiterated their commitment to solve overlapping claims using the UN Convention on the Law of the Sea. What will become an increasing and shared concern for the Arctic states in the long term is competition from outsiders (ie, non-Arctic states): the strategic and economic opportunities of an accessible Arctic are already drawing attention from China.

"Diplomatic crises and incidents over resources and borders may abound...but military confrontation in the Arctic is mostly unfounded."

Consequences and options for Canada

During the 1990s, in the absence of what some qualify today as a "sovereignty crisis", Canada took a broad approach to Arctic security that spanned mainly environmental, cultural, and human dimensions. That approach began to change in the early 2000s. An activist commander in the Canadian Forces Northern Area deplored the deterioration of the country's military capabilities; as well, increasing access to the Arctic and the end of a Cold War halt on regional development underscored the area's growing vulnerability. The changing reality nurtured the notion that Canada's sovereignty "will be brought into question", indicated a speaker. Canada's relatively light involvement in its northern territories historically, especially from a military perspective, also turned the Arctic generally into a sensitive issue for Canadians, whose fears were reflected and perhaps played up by national media outlets that quickly asked for action to be taken. Both in Canada *and* in Russia, the interplay of national identity and interests established that the Arctic is of strategic importance.

Statements and action by the governments of Canada and Russia, indicated the expert, have created a political theatre where national concerns appear to be alleviated through international projection. For Russia, the rhetoric over the Arctic is meant to comfort a domestic audience. Internationally, the tone is different. Russia, although it has also made clear that it will not be "bullied" by other countries, assures the international system it is indeed committed to respect international law.

Canadians might be concerned about Russia's two-track messaging, with one view presented to an international audience and a differing one offered to Russians at home. But Canada's behaviour appears to mirror Russia's in many respects, emphasised the speaker. For example, mixed messages have been sent by the foreign minister, on the one hand promoting co-operation and, on the other, declaring that Canada needs to defend itself against outside challenges, particularly against threatening Russian activity. Several Canadian political leaders have insisted that their country should collaborate with its neighbours to solve the Arctic's complex issues. Shortly after, the government announced it was rebuilding its armed forces and drumming up the importance of the north to Canadians.

The two countries' declarations and behaviour may well be similar. But it remains to be seen whether either one of them will be able to translate successfully their objectives into results.

An American perspective

For the United States, stated another speaker, the Arctic presents a complex challenge given that governmental responsibility for the region is divided amongst a large number of departments. Those include the departments of State, Defence, Homeland Security, Transportation, Interior and Commerce, as well as the National Science Foundation. The first meaningful articulation of an Arctic vocation for the US took the form of a formal statement of intent included in the early January 2009 National Security Presidential Directive (No. 66), which now also enjoys the support of President Obama's administration. Nine months after the directive was released, the US Navy presented its Arctic roadmap: a five-year plan that, concentrating largely on the expected consequences of global climate change, planned to expand fleet operations. A task force on climate change in the US Department of Defence also studies how a changing physical environment may exacerbate Arctic instability and conflict in the future.

The US deputy secretary of state, James Steinberg, has said that he sees the Arctic as a test case for a whole-of-government approach to deal with a multilateral, multi-stakeholder set of issues. He outlined three goals for the United States related to the Arctic: ratifying the UN Convention on the Law of the Sea; addressing climate change issues through a legally binding regime; and influencing collective action in the Arctic under US leadership. The first two require the ascent of the US senate, which is unlikely in the near future. As for the last goal, the speaker argued that the US requires more time and action to establish credible leadership for itself in the region.

While the US is the largest investor in both the north and south poles with regards to science, it does not have significant ice-breaking capacity in the Arctic. Finally, securing the Arctic is primarily the responsibility of the coast guard, which falls under the Department of Homeland Security; in light of the lasting threat of international terrorism and the political and bureaucratic attention it absorbs, the United States will probably not make the Arctic a top priority any time soon.

Discussion

A participant inquired about the policy differences between Canada and Russia on the Arctic, the best policy for Canada to manage them, and future prospects for the Arctic Council. The expert who answered did not see genuine substantive policy differences between Moscow and Ottawa. As to the "best" policy, he added that it is a question of high politics. If the oft-invoked argument of "use it or lose it" about Canada's Arctic territory allows for domestic political gain, the speaker said, there is "no reason to shut down the political theatre with the Russians". He added that Russian action in the region is also a convenient reason to invest in the Canadian armed forces even if Ottawa knows that an Arctic conflict is improbable. With regards to multilateralism in the region, the expert said that Russia has expressed to Canada a clear preference for limiting Arctic discussions to the five littoral states (Canada, Denmark, Norway, Russia, the US) and that it has no desire to include non-littoral countries in the Arctic Council.

Another participant asked about China's interests in the north and Russia's reaction to them. A member of the panel stated that China is careful in expressing its interests in the Arctic so as not to arouse suspicion from the littoral countries. In spite of such efforts, Moscow is distrustful of China there. Co-operation between the two neighbours translates into Chinese investments in Russia's energy sector in the region, which are in any case sorely needed.

A question focussed on the Bulava system: what might happen if the full development of the new missile system fails? Russia's Arctic military ship and submarines are designed for the Bulava and would risk becoming useless. The answering expert thought that there is no alternative to the Bulova project. If it does fail, it would be a "nightmare scenario" for Moscow.

Annexes

Matching Ambitions and Realities:

Annex A

Conference agenda

A conference of the Canadian Security Intelligence Service (CSIS), organised in collaboration with Foreign Affairs and International Trade Canada and the Privy Council Office

6 May 2010

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|---------------|---|
| 8.45 – 9.00 | Welcome, structure and objectives of the conference |
| 9.00 – 9.15 | Opening remarks |
| 9.15 – 10.45 | MODULE 1 – POWER AND POLITICS: WHAT IS RUSSIA?
Power relations and decision-making in Moscow
Can We Be Friends? Russia's views of the "West"
How Westerners (and others) view Russia, and why it matters |
| 10.45 – 11.00 | Break |
| 11.00 – 12.15 | <i>On the Spot</i> : Is Russia bound to remain an authoritarian country? An Expert Debate |
| 12.15 – 13.15 | Lunch |
| 13.15 – 14.45 | MODULE 2 – RUSSIA IN THE WORLD
Bitter Fruits of History: current and future relations with the United States
Fearful Necessity: Russia's relations with China
Energy as Currency: The Kremlin's approach to Europe and the European Union |
| 14.45 – 15.00 | Break |
| 15.00 – 16.30 | MODULE 3 – RESOURCES FOREVER: OPPORTUNITIES AND CHALLENGES OF THE RUSSIAN ECONOMY
The Resource "Curse": efforts at diversifying the economy
Business for Political Ends? Relationships between the private sector and the political class
Uncertain Temptations: the challenges of foreign investments in Russia |

Matching Ambitions and Realities:

16.30 – 17.00 Keynote address: Strategic implications for Canada of Russia's evolving place in the world

17.00 Adjourn

7 May 2010

8.45 – 9.00 Introduction of the second day's programme

9.00 – 10.30 **MODULE 4 – RAW FORCE: MILITARY AND SECURITY CONSIDERATIONS**

Current and prospective state of the Russian armed forces

WMD Programs: proliferation risks and Russia's plans

Russian Security Services: power and property

10.30 – 10.45 Break

10.45 – 12.15 **MODULE 5 – LOOKING INWARDS: DOMESTIC ISSUES AND SOCIETY**

A Vast Realm: Moscow's relations with local power centres

Contained or Brewing? Chechnya, Dagestan, Ingushetia

The security consequences of demographic decline

12.15 – 13.15 Lunch

13.15 – 14.45 **MODULE 6 – UNCERTAIN NEIGHBOURHOOD: REGIONAL ISSUES**

Moscow's ambitions in Central Asia and role in Afghanistan

New Rulers, New Dynamics? Moscow and Kyiv

Unruly Neighbourhood: South Caucasus

14.45 – 15.00 Break

15.00 – 16.30 Security stakes in the Arctic

Presentations and on-stage discussion

The Name of the Game: the economic, political and strategic stakes of an accessible Arctic, and Russia's ambitions in the region

Consequences and options for Canada

Weighting Security and Trade: An American perspective

16.30 – 16.45 Wrapping up: What Future for Russia?

16.45 – 17.00 Concluding remarks

Annex B

Academic Outreach at CSIS

Intelligence in a shifting world

It has become a truism to say that the world today is changing at an ever faster pace. Analysts, commentators, researchers and citizens from all backgrounds—in and outside government—may well recognise the value of this cliché, but most are only beginning to appreciate the very tangible implications of what otherwise remains an abstract statement.

The global security environment, which refers to the various threats to geopolitical, regional and national stability and prosperity, has changed profoundly since the fall of Communism, marking the end of a bipolar world organised around the ambitions of, and military tensions between, the United States and the former USSR. Quickly dispelling the tempting *end of history* theory of the 1990s, the 2001 terrorist attacks on the United States, as well as subsequent events of a related nature in different countries, have since further affected our understanding of security.

Globalisation, the rapid development of technology and the associated sophistication of information and communications have influenced the work and nature of governments, including intelligence services. In addition to traditional state-to-state conflict, there now exist a wide array of security challenges that cross national boundaries, involve non-state actors and sometimes even non-human factors. Those range from terrorism, illicit networks and global diseases to energy security, international competition for resources, and the security consequences of a deteriorating natural environment globally. The elements of national and global security have therefore grown more complex and increasingly interdependent.

What we do

It is to understand those current and emerging issues that CSIS launched, in September 2008, its academic outreach program. By drawing regularly on knowledge from experts and taking a multidisciplinary, collaborative approach in doing so, the Service plays an active role in fostering a contextual understanding of security issues for the benefit of its own experts, as well as the researchers and specialists we engage. Our activities aim to shed light on current security issues, to develop a long-term view of various security trends and problems, to challenge our own assumptions and cultural bias, as well as to sharpen our research and analytical capacities.

To do so, we aim to:

- tap into networks of experts from various disciplines and sectors, including government, think-tanks, research institutes, universities, private business and non-governmental organisations (NGOs) in Canada and abroad. Where those networks do not exist, we may create them in partnership with various organisations;
- stimulate the study of issues related to Canadian security and the country's security and intelligence apparatus, while contributing to an informed public discussion about the history, function and future of intelligence in Canada.

The Service's academic outreach program resorts to a number of vehicles. It supports, designs, plans and/or hosts several activities, including conferences, seminars, presentations and round-table discussions. It also contributes actively to the development of the Global Futures Forum, a multinational security and intelligence community which it has supported since 2005.

While the academic outreach program does not take positions on particular issues, the results of some of its activities are released on the CSIS web site (www.csis-scrs.gc.ca). By publicising the ideas emerging from its activities, the program seeks to stimulate debate and encourage the flow of views and perspectives between the Service, organisations and individual thinkers.